

AUDIT REPORT

CITY OF MANCHESTER

NEW HAMPSHIRE



Department of Human Resources

April 9, 2014

Prepared by

City of Manchester, NH

Office of the Independent City Auditor

**INDEPENDENT AUDIT REPORT
CITY OF MANCHESTER, NEW HAMPSHIRE
DEPARTMENT OF HUMAN RESOURCES
JUNE 30, 2013
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April 9, 2014

Committee on Accounts, Enrollment and Revenue Administration
City of Manchester, New Hampshire
Honorable Aldermen: O'Neil, Barry, Corriveau, Levasseur and Osborne

Dear Honorable Committee Members:

A request was given to the Independent City Auditor to conduct a performance audit of the Department of Human Resources.

I have completed my audit of Department of Human Resources at June 30, 2013. My audit was conducted for the purpose of determining whether the department was performing its role aiding the City of Manchester in hiring and retaining the best employees available.

I conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that I plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for my findings and conclusions based on my audit objectives. I believe that the evidence obtained provides a reasonable basis for my findings and conclusions based on the audit objectives.

Scope and Audit Objectives

AUDIT SCOPE:

This engagement was to be a performance audit of the Human Resources Department for the 24 months ended June 30, 2013. A performance audit is an engagement that provides assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria.

AREAS EXAMINED

Labor Negotiations/Appeals/Grievances

Goals:

- Effectively represent the interests of the City in all bargaining matters.
- Promote effective dispute resolution.
- Foster positive relationships through open communications between unions and management.

Training Programs

Goals:

- Provides opportunities for professional growth and personnel development

Hiring Process/Evaluation/Payroll

Goals:

- Attract and retain the best employees, Reward employees for superior service, commitment and loyalty, encourages openness and trust in our dealings with one another.

Benefit Programs

Goals:

- Provide high quality effective programs to attract and retain the best employees

The audit including testing key management controls over areas included in the scope of this audit.

AUDIT OBJECTIVES:

To determine if the HR department is performing its role in aiding the City of Manchester in hiring and retaining the best employees available.

Procedures

- Examine and evaluate HR operating procedures, manuals and vendor contracts.
- Interview HR personnel
- Survey Payroll clerks, Department Heads and Labor Representatives to determine their level of satisfaction with the HR department and their programs.
- From a sample of employees determine if merit increases are based on superior evaluations.
- Compare HR performance to industry benchmarks.
- Determine if savings from the compass program are exceeding its costs.
- From a sample of reclassification requests determine if conclusions are made timely and based on objective criteria.
- From major vendors of HR services (Anthem Healthcare) determine if the contracts contain performance guarantees and HR is evaluating results of performance.
- Review and evaluate MOUs signed, grievances filed and outcome of grievances

FINDINGS AND CONCLUSION

My testing revealed the following 3 observations:

Observation 1 Lack of training programs

Observation 2 Annual employee evaluations not consistently submitted

Observation 3 Limited Compass Program reporting data

HIRING AND PROMOTIONS

The HR Department's training program is severely under-funded and lacks a written training program to ensure that training is meeting the needs of departments and City employees. In two out of 30 instances tested employee evaluations were not completed timely or at all prior to employee promotions. In all other areas tested the HR Department is in compliance with the Code of Ordinances Position Classification Plan and tested labor contract provisions.

BENEFITS PROGRAMS

Except the lack of complete data reports provided by the Compass program major benefits programs tested were in compliance with contractual performance guarantees and the HR department was adequately monitoring and paying for the guarantees.

LABOR RELATIONS

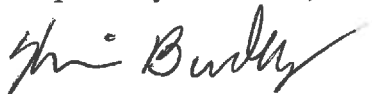
It appears that grievances are handled in a timely, effective and efficient manner. Grievances are relatively few and a majority of them are resolved prior to arbitration in a manner that appears agreeable to both parties. It appears that the United Steel Workers at the Water Department have an unusually high number of grievances per member compared to the other unions.

Labor contract negotiations have recently been taken over by the Mayors Office who has been able to negotiate concessions from the unions but this seems to have increased union dissatisfaction.

OTHER MATTERS

Based on survey results it appears that in general city department heads, labor union representatives and department payroll clerks are satisfied with the HR department. There were some concerns with the lack of training programs and timely communication of changes to policies, rates and payroll changes.

Respectfully Submitted,



Kevin Buckley, CPA
Internal Audit Manager

HUMAN RESOURCES DEPARTMENT OVER VIEW

The Human Resources Department consists of 8.6 full-time equivalents (FTEs) allocated as follows: HR Generalists functions (2): Payroll 2.6: benefits (1): security (1): administrative support (2). While the HR Department performs many of the Human Resource functions in the City some of the responsibility is delegated to the departments where 23 payroll clerks handle the day to day duties of payroll entry, distribution and administration at the department level.

The HR Director is the head of the department and is responsible for all human resource functions throughout the City supporting all employment processes from recruitment through retirement.

The Security Manager is responsible for the security of City and School District buildings and security. He works with various City departments ensuring compliance with all federal and collective bargaining drug and alcohol testing requirements, background checks for new hires, Americans with Disabilities Act compliance, manages and programs the City and School District alarm and access system, and conducts investigations of security and sexual harassment related violations.

The Human Resource Analyst works with all City departments to attract and retain the most qualified employees for the City. His duties include administering the recruitment and qualification of candidates for all City positions, providing employee relations advice to department heads and managers, developing and administering the entrance and promotional examination process and tests for the Police and Fire Department, conducting position classification/job evaluation assessments at the request of department heads, assisting in the ADA assessments and employee misconduct investigations and administering the City FMLA process.

The Compensation/payroll Manager and her two assistants manage all payroll functions of the City providing advice and coordination to the payroll clerks in each department. They process all Workers' Compensation payments to injured employees, and input of employee related information to the City's HR and payroll systems.

The two part-time Benefits Coordinators handle all administrative functions of the City's benefits programs. This includes processing all paper work related to health, dental, long-term disability, life insurance and flexible spending accounts.

MISSION STATEMENT

The mission statement of the Human Resources Department as posted to their web site is:

Our mission is to attract, retain and develop the best, most qualified employees for City Government. We strive to improve productivity and promote quality performance of every employee. We provide highly effective human resources services supporting employment processes from recruitment through retirement.

The mission statement aligns with the City management philosophy of maintaining an organizational culture that:

- Attracts and retains the best employees
- Rewards our employees for superior performance, commitment, loyalty, service delivery, knowledge, skills and abilities
- Encourages openness and trust in our dealings with one another
- Provides opportunities for professional growth and personal development
- Stimulates participation, team work and creativity
- Balances employee needs with business necessity

COMPARISON TO OTHER HR DEPARTMENTS

An important measure of the HR function is the number of fulltime employees per HR professional. An analysis of the number of FTEs per HR professionals over the last ten years shows a steady increase in this measure as noted in the chart below:

ORGANIZATION'S FULL-TIME EQUIVALENTS PER HR FULL-TIME EQUIVALENTS FY 2004 TO FY 2013 (Excluding Vacancies)

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
FTEs	1,286	1,288	1,294	1,270	1,269	1,269	1,273	1,237	1,192	1,190
HR FTEs	11	11	11	10	8	8	9	9	9	9
FTE / HR FTE	117	117	118	127	159	159	141	137	132	132

Source: Audited FY 2013 City of Manchester CAFR

The International Public Management Association for Human Resources conducted a survey of 584 government organizations and published the information in its *2010 Benchmarking Committee Report – HR Metrics*. Of the organizations with the number of employees between 1,000 and 4,999 responding to the survey the mode of FTEs/HR FTEs was between 101 -125. The City of Manchester currently is just slightly above the survey's mode with a FTEs/HR FTEs of 132.

HIRING AND PROMOTIONS

All jobs positions in the City of Manchester have been evaluated and classified in the City's Position Classification Plan. The plan consists of the occupational list of classes, a class code, and a class grade for each class and class specifications describing the duties, responsibilities, knowledge and skills needed for each job. All positions in a class are similar enough so the same rates of compensation are applicable to all positions. Compensation is set forth in the schedules of the compensation plan by labor grade.

Due to a hiring freeze that has been in place since 2008, when a vacancy occurs in the work force a requisition request accompanied by supporting documentation from the department head to fill the position is sent to the HR Director who shall determine if the rationale for filling the position is sufficient for approval. If approved by the HR Director, the requisition and supporting material is forwarded to the mayor for his approval.

The recruitment of candidates and the referral of job applications is the responsibility of the HR Department. When a job vacancy occurs in any department the department head must notify the HR department prior to posting/advertising the vacancy or final action with any existing employees or external candidates.

Once a vacancy is approved by the Mayor to be filled, HR monitors the internal posting of the vacant position in the department where the vacancy exists for five working days, and employees interested in the position submit an application to the HR Department. Internal applicants qualified by the HR department are then referred to the Department Head for their consideration and possible interview.. If no applicants from within the department are selected the HR Department posts a notice of such job opportunity in at a minimum of three conspicuous public places, including the Jobs page on the City website. Special notification effort is directed to equal employment opportunity organizations who provide employment referrals of their clients..

All City employment applications are received in HR for review and qualification against predetermined qualification/hiring criteria specified in the Class Specification (job description). Qualified applications are sent to the department head for screening, selection and appointment.

Reference checks are done at the department level and the results reported to HR.

This application process is an important internal control to ensure that all qualified applications are given equal consideration and that hires based strictly on nepotism are eliminated.

The hiring department head will send a conditional offer of employment that includes employment-at-will language, and then notifies HR to schedule the medical exam and begin the background check process.. The Police and Fire departments have separate and specific employment entry testing processes administered by the HR department prior to the hiring of Police Officers and Firefighters, and some promotions of Police and Fire personnel require passing a promotional exam, also administered by the HR department. All testing, medical exams and background checks comply with Uniform Guidelines on Employee Selection Procedures and the Fair Credit Reporting Act.

Once the candidate has passed the medical exam and background check, the hiring department then notifies HR on standardized forms that the candidate has been hired (into which position at what rate of pay) and HR then sets the employee up in the Human Resource and Payroll systems.

HR does not provide training for managers in hiring procedures that include making unlawful inquiries during interviews. (See observation -1)

Training

Training Sessions conducted FY 2013 and FY 2012:

	<u>FY 2013</u>	<u>FY 2012</u>
Security Training	34	34
Payroll/Benefits Meeting	1	1
New Employee Orientation	11	6
Payroll Clerk Meeting	1	1
Health Dept Recruitment/ Hiring	1	
Health Dept FMLA	1	
Benefits Training	11	20
Compass Program	8	11
Total Training sessions	69	73

In prior years HR had maintained a training calendar to track and advertise training sessions. This was when HR had a budget for training. In recent years no budget has been made available for training activities. This has resulted in a drop in training activities. HR has been able to get some training provided by the Compass program representatives and Anthem representatives on health insurance related issues. HR lacks the funds to hire speakers for training. Training is also accomplished through E-Mails and postings at the departments for security issues and benefits/payroll changes.

Based on feed back provided from the satisfaction survey conducted during the audit; employees, department heads and labor representatives all complained about a lack of training opportunities as well as a long wait time for new employees to receive employee orientation training.

Two payroll clerks responding to the survey mentioned that HR frequently changed practices policies and procedures without notifying payroll personnel. One department head, two payroll clerks and one union representative made comments about the lack of training. There were also several comments concerning a lack of knowledge of certain procedures that may have been addressed through further or more frequent training.

It appears that while HR provides many training opportunities in some areas when they can, the general feeling as noted in the survey results is that training needs to be timelier and that there may be other opportunities for training that the departments feel that they need or want. HR should be making an effort to determine training needs and providing training in a timelier manner.

OBSERVATION 1 – LACK OF TRAINING PROGRAMS

The human resource functions in the City of Manchester are partially decentralized. The HR department controls a majority of the process but key controls are delegated to the department heads and departmental payroll clerks. Supervisors, managers and payroll clerks are left to interpret and implement the many laws, rules, regulations and policies that govern the City workforce. The entire City workforce is governed by federal, state and city laws, rules policies and procedures and the various collective bargaining units have their own set of contractual requirements that must be met.

It is very important that these laws, rules, regulations and policies are enforced in a consistent manner across all city units. In order to achieve this goal a proactive and ongoing training program is needed. The City has budgeted very little funding to the training of employees over the years and with the small staff size at the HR Department there is very little time allotted to training employees in-house. Due to these resource constraints there are no dedicated training program administered by the Human Resources Department.

Having a robust training program is a best practice of highly effective Human Resource departments. Organization-wide training programs not only increases efficiency of training in large organizations but also allows the organization to ensure that its employees an adequate and consistent level of training.

Recommendation:

The HR Department should conduct an assessment of the training needs of City employees who have supervisory/manager and human resource duties across the city and develop a training program to address any skill or knowledge gaps. Training areas could include:

- Managing leave laws and the discipline process
- Conducting Employment Interviews
- Privacy issues arising from new technologies
- Payroll processing issues
- Conducting performance Appraisals
- Hiring and interview procedures
- Nondiscrimination and harassment

Training should be proactive to the extent possible in order to stop problems before they happen. HR should also constantly monitor the performance of the HR processes at the department level in order to correct issues as they are developing.

Auditee Response:

Although, time and resources have limited HR's ability to provide an established training program, we have incorporated essential training into the new hire orientation. New hires receive training on

harassment, on workplace violence as well as the city's drug and alcohol policy. Orientation is a 3 hour session that is provided to a minimum of 4 participants per session.

Repeated requests for CIP funding to provide a comprehensive staff development program have been declined. We acknowledge that this is an issue. HR does not have funding nor sufficient staff to provide additional training. Existing staff is focused on insuring that the HR functional aspects of employee training are met – in the past two years there have been 142 trainings on various HR related topics provided. Please bear in mind that conducting sessions not only includes class time, but also requires time afforded to administrative details such as prep time, scheduling, setting up space and getting departments to provide time off for their employees to attend. The number of city work hours involved in training is increased by the number of trainees.

From an HR perspective, developing staff is imperative to the success of the organization. Unfortunately, non-mandated staff development and training is one of the first line items to go when departments are asked to reduce their budgets.

HR does provide an annual payroll clerks meeting to keep payroll clerks abreast of changes in the law and/or allow for discussion and questions they might have regarding HR administration.

Reasonable Suspicion Trainings (Drug and Alcohol) are scheduled in June with city staff (supervisors) before the end of this fiscal year.

At one time, HR provided Supervisors Training for those new to the role. This has not been done for many years since not only funding but also the position was cut from the budget. HR is considering implementing and offering a shortened version to cover the basics, at least.

Evaluation and Promotion

The City of Manchester pay schedule consist of 36 pay grades and each pay grade consists of 13 pay steps. Each consecutive pay grade is 7% higher then the previous grade and each pay step is approximately 3% higher then the previous step. An employee starting at step one will see their pay increase by 42.6% by the time they reach step 13. Starting pay for an employee upon initial employment is most often made at step one of the pay grade for that position. In some cases, upon recommendation of the department head and HR Director, or the HR and Insurance Committee, the Mayor may approve initial compensation at a higher step.

After an initial probationary period (6 months for most employees, 12 months for police and fire) and upon recommendation by the department head and approval by the HR Director a one step advancement in pay may be granted. Full-time employees may be advanced to a higher step within a pay range based upon job performance and length of service except as otherwise provided for in the collective bargaining agreement. Such advancement will be made annually on the anniversary date of employment with the City until the employee has reached the maximum pay grade for that position. Per the City of Manchester Code of Ordinances chapter 33.048 "the HR director shall develop a standardized form and process for use by the department heads in evaluating employee's work performance". The annual step increase is designed to be based on satisfactory performance

as noted on the objective evaluation form. The form developed by the HR Director outlines the criteria needed for advancement and acts as the notification to the HR department that the employee has met the requirement for advancement and the pay increase is to be entered in the payroll system. However the City of Manchester Code of Ordinances chapter 33.048 also states that "If the department head fails to complete the performance evaluation in a timely manner, the employee's step increase shall be processed on the eligibility date of the step increase. The HR department has no recourse for failure to provide annual evaluations.

From a selection of 30 existing employees randomly selected I examined the employee's file in the HR Department and traced the dates from the approved evaluation form to the employee EIS form to the posting in the HTE Payroll system. The pay increase was traced to the Y-D schedules to ensure that the employee was being paid according to the correct schedule and pay step. I then read the evaluation to determine the level of satisfaction with job performance.

Of the 30 selections 3 employees were recently hired and not eligible for evaluation in the audit period. Two employees were not evaluated in the current year with one not eligible for a step increase due to being at the maximum step and the other was given the step increase in spite of a lack of evaluation. The file showed several attempts at getting the evaluation done from the department head.

Of the 25 evaluations looked at 17 were determined to be generally satisfactory and 8 indicated that the employee exceeded expectations. There were no unsatisfactory evaluations found. All employees who were not at the maximum step were given the step (merit) increase. Union contracts require the step increase unless there is an unsatisfactory evaluation.

OBSERVATION 2 – ANNUAL EMPLOYEE EVALUATIONS NOT SUBMITTED

Per Code of Ordinances Chapter 33:048 require the Human Resource Director to develop a form for use by department heads to evaluate employees. These forms are for a required annual evaluation. My testing of 30 randomly selected employees revealed that on two occasions (7%) annual reviews were not conducted in a timely manner. One of these employees was at the maximum step so no pay increase was due but in the other case the merit increase had to be processed without an evaluation per the Code of Ordinances requirement.

Recommendation:

The annual evaluation is an important element of a fair compensation system based on predetermined criteria. The annual evaluation is also an important internal control over the administration of the payroll system. Managers at the department level should ensure that the evaluations are completed in a timely manner and the Human Resource Department should make every effort to ensure that the departments are completing the evaluations.

Auditee Response:

Overall, based on your selective survey of employee files, 93.3% of employees did have performance evaluated and documented in their files.

As you stated above, Ordinance Chapter 33.048 (B) in part reads: “If the department head fails to complete the performance evaluation in a timely manner, the employee’s step increase shall be processed on the eligibility date of the step increase.” This process was used in one of the cases noted above, bringing the compliance to almost 97%.

Currently, the performance evaluation process is decentralized. HR does not perform the evaluations; it is the responsibility of the departments. As you stated in your findings, the HR Department does not have any recourse if the evaluations are not submitted in a timely manner. The City Charter gives the Department Head *Exclusive Personnel Responsibility*. Ordinance 33.048 cited in the last paragraph was instituted to correct the issue on behalf of the employee, notwithstanding the acknowledgment that evaluations were not being submitted in a timely manner. HR notifies departments of overdue evaluations.

As you know, the city embarked on the selection of a new Enterprise system that would have assisted HR with automating the performance evaluation system. That initiative has been curtailed indefinitely. However, discussions with Info about developing the HR modules within our current system have taken place. There are no funds available at this time, but we are optimistic that going forward we can improve upon this process with this new module.

BENEFIT PROGRAM ADMINISTRATION

The City of Manchester provides its employees with the following benefits:

Holiday Pay	Vacation	Vacation Buy-Back Plan
Personal Leave	Sick Leave	Sick Leave Bank
Bereavement Leave	Leave of Absence without Pay	
Health Insurance	Dental Insurance	Health Ins. Buy Back
Health Savings Acct	Fitness Reimbursement	Long Term Disability
Vision Reimbursement	FMLA Leave	Retirement
Flexible Spending Plan	Employee Assist. Prog.	Tuition Reimbursement
Deferred Compensation	Workers’ Compensation	
Bright Ideas Program		

The Human Resources Department directly administers most of these programs. Some of the largest programs are administered by a third party agreement that requires the third party administrator to provide periodic reporting and meet certain performance goals.

My audit tested contract administration of the following three programs:

ANTHEM HEALTHCARE FY 2013

Anthem Claims	\$17,423,100
Anthem Admin Fees	\$ 697,262
 Total Anthem Funding	 \$18,120,362

The Anthem Services Agreement contains several performance guarantees that call for penalties to be imposed if the performance targets are not met. HR administers the performance guarantees through review of annual reports submitted to the HR Department. The City has also had two third party audits of the Anthem data in the past 10 years which has shown very low error rates on claims processed and no issues with performance data provided or rebates processed. My review of the reports submitted by Anthem show that all performance guarantees appear to have been met during fiscal year 2013.

COMPASS PROGRAM FY 2013

Gross Cost Avoided	\$ 198,513
Incentives Paid	\$ 20,970
Commissions Paid	\$ 33,269
 Net Savings FY 2013	 \$ 144,274

(Figures Exclude Manchester School Dept)

The Compass SmartShopper Program is aimed at reducing medical claim costs by providing incentives to covered employees and their dependents that utilize cost effective providers.

Cost effective providers are identified by the plan administrators. The plan administrators have done studies with Anthem to determine procedures that have a wide range of costs for the same procedure depending on the venue that it is performed. The program administrators have identified the procedures and venues that will return the greatest savings and provide a range of incentives depending on the potential cost saving.

Employees and their dependents are then given the list of procedures and a phone number or web site that they can contact prior to scheduling the procedure. The program will tell them the most cost effective venue and if the employee chooses that venue for the procedure they will receive an incentive reward. Awards are given only after the procedure is performed and verified by the administrators. An award is given even if the most cost effective venue had already been selected by the physician. The hope is that eventually high cost venues will reduce their costs in order to compete with the low cost venues. The program is constantly monitored and incentives are changed as the cost curve changes.

The program is monitored by the HR Department through monthly reports and an end of the year report. Compass is paid based on a 20% share of net costs avoided (Gross costs avoided less incentives paid) Compass submits monthly invoices for a replenishment of incentives paid and to report costs avoided. HR benefits coordinator traces invoice amounts to the attached reports and recalculates charges. She also selects a sample of incentives paid and verifies with the employee that they received the incentive check.

Compass has also guaranteed that they will produce a certain level of gross savings per month based on combined savings of the City and the School District. In the event that the targets are not met Compass will reserve the difference between the target and actual amounts saved. There is also a guaranteed annual target. At the end of each year if the annual target is not met Compass will refund the difference to the City and School District. Compass only reports that they have met the annual amount but does not report the school amounts either monthly or annually to the HR Department.

OBSERVATION 3 – COMPASS PROGRAM REPORTING

Per the administrative services agreement between the City of Manchester and Compass Healthcare Advisors (CHA) will prepare a Compass SmartShopper Program Summary report by the 20th of the month from the end of each calendar month. CHA's compensation is based on information provided in the monthly reports. They receive 20% of all savings net of incentives. CHA also guarantees that the City and School District will realize a combined minimum gross savings of \$20,833 per month and over \$250,000 per year. If the City fails to save the guaranteed amounts CHA will pay back the short fall.

The City of Manchester administers the administrative services agreement and as such is responsible for verifying and evaluating the savings obtained and the incentives paid. The savings guarantees are dependent on combined savings of both the City and the School District but HR only sees savings information from the City employees making it impossible to verify that the guarantees are being met. The reports they receive also do not show enough detail so that HR can tell the cost of the service prior to the employee calling the compass program and the actual cost incurred after going to the preferred provider.

Recommendation:

The HR Department should require enough detail in the reports to determine that the savings reported are actually being realized. The reports of savings should include the School District savings totals and details on the City side. Likewise the School District should be able to see their detail and the City totals.

Auditee Response:

HR has addressed the recommendation with the COMPASS program and has begun receiving reports monthly that depict both School and City detail of savings, etc.

Relative to detail, the City has been working with the COMPASS program for some time to provide sufficient back-up for incentive charges and the percent of savings. Strides have been made in this area, although more may be required. Through continued HR efforts, COMPASS now provides detailed incentive amounts and net cost avoidance dollar amounts by member ID and procedure. Other reporting changes have been revised, e.g. the reporting of lab work incentives.

With the enhanced detail, monthly incentive audits are conducted prior to paying the invoice. HR will continue to work with the COMPASS program to insure accurate and detailed reporting.

EAP PROGRAM FY 2013

Emergency Call Frequency

EAP Line – Adults	103
EAP Line – Adolescents	58
EAP Line Non-EAP Referral	3

Total EAP Line	225
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Youth Crisis Line Adolescents	9
Youth Crisis Line Non-EAP Referral	3

Total Youth Crisis Line	12
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Time Spent Counseling	90%
Time Spent in Education	10%

Ave weekly number clients seen

First Six Months Adults	11
First Six Months Adolescents	5
Second Six Months Adults	10
Second Six Months	5

Referrals for Specialized Service

Adults	16
Adolescents	8

Prior To July 1, 2010 the City of Manchester ran the Employee Assistance Program in-house as part of the Office of Youth Services (OYS). The Office was budgeted in the OYS budget but operated as an administratively attached office. At the time the EAP office consisted on one employee, the EAP Coordinator. An employee of the OYS specializing in youth counseling services was available to cover for EAP Coordinator when needed. The office had an answering service available 24 hours a day.

After June 30, 2010 both the EAP Coordinator and the Youth Services Counselor retired and joined with Employee Management Resources Inc.(EMR). Starting on July 1, 2010 EMR has been providing EAP services to the City of Manchester on a three year contract at \$80,000 per year

replacing the \$149,437 in salary plus associated benefits and expenses of the former EAP office and OYS Counselor.

The HR department monitors EMR through required Bi-Annual reports. The reports show required usage statistics.

EMR maintains 24 hour telephone access directly to the office during operating hours and an answering service during off hours. EMR is committed to providing an initial personal response within 3 hours to emergency calls. EAP does not report statistics on response times. EAP has a policy of providing an initial consultation with an appropriate licensed EAP professional within 72 hours.

EMR maintains an Office at 814 Elm Street in Manchester as required by the contract.

EMR has been providing orientation training as needed throughout the year and other training and consultation as required by the City's needs.

Statistics from FY 2013 reports show that the Youth Crisis line was rarely used. During the year EMR saw 50 clients during the first six months of the year and 43 during the last six months. 67% of clients seen were adults and 33% were minors. 90% of services provided were for counseling and 10% education. There were 24 referrals for specialized services during the year.

My testing showed that it appears that EMR has been providing information according to the contract and the HR department has been reviewing in a timely manner.

LABOR RELATIONS

GRIEVANCES 1/1/2010 to 10/28/2013

UNION	# OF MEMBERS	# OF GRIEVANCES	# OF GRIEVANCES PER MEMBER
AFSCME	256	58	0.23
IAFF	200	15	0.08
TEAMSTERS	49	4	0.08
MAFS	7	2	0.29
MAPS	46	2	0.04
MPPA	187	8	0.04
PDSS	46	10	0.22
USW	58	46	0.79
TOTAL	849	145	0.17

Source: Annual Grievance and Arbitration Reports

GRIEVANCE OUTCOMES 1/1/2010 to 10/28/2013

RESOLUTION	# OF CASES	% CASES CLOSED
OPEN CASE	15	
UNION	15	12%
CITY/DENIED/WITHDRAWN	53	41%
MUTUAL AGREEMENT	62	47%
TOTAL	145	

Source: Case Files

A grievance is a written dispute, claim or complaint which arises out of the application or interpretation of the collective bargaining agreement.

A grievance is submitted listing the complaint and the article and section of the CBA which has been violated.

Grievances are submitted to the department head and Human Resources Department who may resolve the issue or reject the complaint. If there is still a dispute over the issue the Grievance will go to a Pre-Arbitration Meeting.

Pre-Arbitration – This is a meeting between the parties that take place prior to the submission of the grievance to the NH PELRB. The purpose is to try and settle the complaint without arbitration.

Arbitration – If the parties cannot settle the grievance it may be submitted to the NH PELRB for presentation to a neutral arbitrator agreed to by both parties.

Of the 130 active grievances resolved from January 1, 2010 to October 28, 2013 12% were resolved in favor of the union, 41% were either resolved in favor of the City or withdrawn by the union and 47% were settled prior to arbitration by mutual agreement of the parties.

The majority of grievances (approximately 72%) are settled prior to arbitration. Of the 36 grievances that ended in arbitration during the period examined 31% were settled in favor of the union, 28% were settled in favor of the city, 28% were withdrawn by the union and the remaining 14% were mutually settled/resolved by the parties.

As noted in the chart above there is an unusually high number of grievances per member of the USW labor union.

SATISFACTION SURVEY

Surveys were developed by using existing surveys from human resource organizations and other jurisdiction's audits and in cooperation with the Human Resources Department.

65 surveys were sent to three groups:

- 28 Department Heads
- 23 Department Payroll Clerks
- 14 Union Representatives

Of the 65 surveys sent 32 were returned for a response rate of 49%

The surveys covered satisfaction with the following areas:

1. Access and Availability
2. Reliability
3. Customer Service
4. Communication
5. Recruiting and Hiring
6. Payroll/Paid Time Off Programs
7. Organizational changes/Job Classification
8. Compliance with regulations/Labor Relations
9. Benefits Administration
10. Safety and Security
11. Other Issues

Payroll clerks had the highest response rate with 61% of the surveys returned. Department heads and Labor Representatives had similar low response rates of 43%.

In general Department Heads had the more positive responses to the surveys followed closely by Payroll Clerks. Union Representatives had an almost 50/50 positive to negative response rate.

	Dissatisfied	Neutral	Satisfied
Dept Heads	8%	6%	86%
Payroll Clerks	5%	16%	79%
Union Reps	35%	19%	46%

When asked how timely Human Resources provides adjudication and feedback on department requests both department heads and payroll clerks rated response time satisfactorily to excellent where Union Representatives rated response times as mostly (59%) poor to needs improvement.

Department heads and payroll clerk also had a mostly positive view on the Human Resources Departments administration of rules and policy fairly across all departments however 63% of union

representatives responded that they felt HR was not administering fairly. Fifty percent of union representatives also felt that the current HR structure operated poorly while a vast majority of department heads and payroll clerks thought the current structure operated average to very well.

When asked if the human resources structure should be changed a majority of department heads and payroll clerks felt the current structure should be maintained while 67% of union representative felt that the structure should be less centralized.

SURVEY COMMENTS

Survey comments were generally positive. There was some frustration with the multiple work schedules at HR which made it difficult sometimes to contact the correct person but HR appears to be able to get back to the callers in a reasonable time.

Union representatives commented that the HR Department head appeared to be working for the Mayor and department heads and did not represent the employees as a whole and was not fair or neutral. However comments from department heads and payroll clerks seemed to indicate that the HR department was fair or leaned towards employees.

It was noted by both department heads and payroll clerks that HR needed to be timelier in communicating changes to policies, rates and payroll changes.

There were several comments on the lack of training and the long wait for some employees to receive orientation training.

Issues were noted with changes to the weekly payroll such as late posting to the accrual accounts and a general dislike with the HTE payroll module. Comments indicate that HTE payroll module is old, outdated and not user friendly.

There were a few comments that the safety systems need to be updated however it was noted by survey participants that the quick response to reported internet scams were helpful to the users.

Overall department heads and payroll clerks have a positive impression of the HR Department however union representatives responding to the survey feel that the department is biased towards the City leaders and should advocate more for employees.

See appendix A for complete survey data results.

CONCLUSION:

My testing revealed the following 3 observations:

Observation 1 Lack of training programs

Observation 2 Annual employee evaluations not consistently submitted

Observation 3 Limited Compass Program reporting data

HIRING AND PROMOTIONS

The HR Department's training program is severely under-funded and lacks a written training program to ensure that training is meeting the needs of departments and City employees. Employee evaluations are not always completed timely or at all prior to employee promotions. In all other areas tested the HR Department is in compliance with the Code of Ordinances Position Classification Plan and tested labor contract provisions.

BENEFITS PROGRAMS

Except the lack of complete data reports provided by the Compass program major benefits programs tested were in compliance with contractual performance guarantees and the HR department was adequately monitoring and paying for the guarantees.

LABOR RELATIONS

It appears that grievances are handled in a timely manner and handled in an effective and efficient manner. Grievances are relatively few and a majority of them are resolved prior to arbitration in a manner that appears agreeable to both parties. It appears that the United Steel Workers at the Water Department have an unusually high number of grievances per member compared to the other unions.

Labor contract negotiations have recently been taken over by the Mayors Office who has been able to negotiate concessions from the unions but this seems to have increased union dissatisfaction.

OTHER MATTERS

It appears that in general city department heads, labor union representatives and department payroll clerks are satisfied with the HR department. There were some concerns with the lack of training

APPENDIX A - SURVEY RESULTS

Totals All Respondents

Please provide your overall satisfaction with the level of service/support provided by the Human Resources Department in the following key functional areas. NOTE: Number equal total number of responses not number of respondents.

Access and Availability		Completely Dissatisfied	Dissatisfied	Neutral	Satisfied	Completely Satisfied
a	Available to meet in person with you	0	0	3	9	17
b	Available to meet by phone with you	0	1	2	10	17
Total Responses		0	1	5	19	34
		0%	2%	8%	32%	58%

Reliability		Completely Dissatisfied	Dissatisfied	Neutral	Satisfied	Completely Satisfied
a	Exhibits Solid Understanding of HR Issues	2	4	3	9	13
b	Provides accurate, helpful information in a timely manner	1	4	4	9	13
c	HR Advice and decisions are balanced and not biased in favor of any individual or group	5	3	5	4	12
Total Responses		8	11	12	22	38
		9%	12%	13%	24%	42%

Customer Service		Completely Dissatisfied	Dissatisfied	Neutral	Satisfied	Completely Satisfied
a	Responds in emails in a timely manner	0	0	3	15	13
b	treats requests and/or concerns with appropriate level of confidentiality	1	1	1	15	13
c	HR is an easy department to work with	2	3	3	11	14
Total Responses		3	4	7	41	40
		3%	4%	7%	43%	42%

4

Communications		Completely Dissatisfied	Dissatisfied	Neutral	Satisfied	Completely Satisfied
a	HR effectively communicates changes in practices, policies and procedures in a timely manner	1	5	4	14	8
b	I know who to contact for specific HR questions	1	1	3	14	13
c	HR communicates complex personnel information and related laws/regulations in a clear, straightforward manner	3	5	3	11	9
Total Responses		5 5%	11 11%	10 11%	39 41%	30 32%

5

Recruiting and Hiring		Completely Dissatisfied	Dissatisfied	Neutral	Satisfied	Completely Satisfied
a	Job postings and/or employment ads are handled in a timely and effective manner	0	0	1	16	12
b	Applications are reviewed/qualified in a timely and appropriate manner	0	2	2	12	11
c	HR provides helpful advice and counsel in a timely manner	2	2	2	12	11
d	New employee orientations are conducted in a timely and effective manner	1	2	5	14	4
e	HR provides adequate, timely and sufficient training to employees for all programs and regulations that they are responsible for	4	3	7	6	7
Total Responses		7 5%	9 7%	17 12%	60 43%	45 33%

6	Payroll/Paid Time Off Programs				Completely Dissatisfied		Dissatisfied		Neutral		Satisfied		Completely Satisfied	
		Payroll is processed accurately, changes/corrections done timely and accurately			0		1		1		18		10	
	a	The payroll process works well and meets the needs of my department/employees			0		1		4		16		10	
	b	Paid time off programs are administered accurately and effectively			0		2		5		12		8	
	c	Total Responses			0		4		10		46		28	

0% 5% 11% 52% 32%

7	Organizational Changes/Job Classification				Completely Dissatisfied		Dissatisfied		Neutral		Satisfied		Completely Satisfied	
		HR provides helpful and knowledgeable assistance with requests for departmental re-organizations			1		3		2		6		7	
	a	HR responds to requests for position reclassifications in a timely manner and conducts assessments in a thorough and effective manner			1		2		6		5		7	
	b	Total Responses			2		5		8		11		14	
					5%		13%		20%		28%		35%	

8	Compliance/Labor Relations	Completely Dissatisfied	Dissatisfied	Neutral	Satisfied	Completely Satisfied
	HR Provides helpful and knowledgeable advice and counsel regarding compliance and State/Federal employment laws and regulations	2	5	1	11	4
a						
	HR oversees a fair and effective collective bargaining process that addresses the interests of both management and unions	3	4	3	6	4
b						
	HR effectively prepares management for arbitration of grievances	0	2	5	5	2
c						
	Total Responses	5 8%	11 19%	9 16%	22 39%	10 18%

9	Benefits Administration	Completely Dissatisfied	Dissatisfied	Neutral	Satisfied	Completely Satisfied
	HR provides new employees with timely and comprehensive information and assistance with benefits enrollment	0	2	5	14	9
a						
	HR communicates changes to benefits in a timely and effective manner	0	2	2	16	12
b						
	The open enrollment process is administered in a well organized and thorough manner	0	1	3	16	12
c						
	HR responds to questions and requests for assistance regarding benefits in a timely and effective manner	0	2	3	14	13
d						
	Total Responses	0 0%	7 5%	13 10%	60 48%	46 37%

10		Safety and Security	Completely Dissatisfied	Dissatisfied	Neutral	Satisfied	Completely Satisfied
		HR manages safety and security programs for the City in a timely and effective manner	1	3	7	10	3
	a						
	b	HR responds to safety and security issues quickly and appropriately with satisfactory resolutions	2	1	7	10	3
		Total Responses	3 5%	4 8%	14 30%	20 43%	6 13%

11 Are the divisions of responsibility and authority Clear between your department/agency and the Human resources Department in the following areas?

	Yes	No
a	20	2
b	21	4
c	18	5
d	16	6
e	29	1
f	18	5
	122 84%	23 16%
	Total Responses	

	Poor response Time	Needs Improvement	Satisfactory Response Time	Good Response Time	Excellent Response Time
a	2	1	9	7	6
b	0	2	5	11	7
c	1	4	6	4	4
d	1	5	5	5	3
e	0	3	7	9	10
f	2	3	8	2	4
Total Responses					
	6 5%	18 13%	40 29%	38 28%	34 25%

13 To your knowledge, are the City rules policies pertaining to following HR functions administered consistently across all departments/agencies

	Yes	No
a Classification/Compensation issues	17	4
b Recruitment/Hiring	20	4
c Employee discipline & Grievance Administration	10	6
d Labor Relations and Negotiations	10	6
	74%	26%

	Very Poorly	Poorly	Average	Well	Very Well
14 In your opinion, how well does the current structure for the HR Department operate?	1 5%	4 14%	4 14%	13 46%	6 21%

	More Centralized	Less Centralized	Status Quo
15 Would you support more centralization, less centralization, or the status quo for human resources function.	3 10%	6 20%	21 70%

APPENDIX B: AUDITEE RESPONSE LETTER

Jane Gile
Human Resources Director



CITY OF MANCHESTER

Human Resources Department

May 2, 2014

To: Kevin Buckley, Internal Auditor
From: Jane Gile, HR Director
RE: HR Audit

HR would like to thank you for this report and your thorough examination of HR functions. We are pleased that the overall findings are positive; that the Human Resources Department is compliant in discharging its duties and that employees are satisfied with our performance.

Overall, the satisfaction survey results indicate that a high percentage of department heads and payroll clerks, 86% and 79% respectively, are satisfied with the performance of the HR Department. Union representatives were slightly more satisfied than dissatisfied.

The chart used to illustrate the IPMA 2010 *Benchmarking Committee Report – HR Metrics*, shows the HR Department currently is just slightly above the national survey's mode with a FTEs/HR FTEs of 132. While the chart reports 9 HR FTEs, this number does not represent HR professionals, which was the criterion used in the national survey. Currently, the department has 3 HR professionals, the remaining staff are payroll (2.6 FTE), Security (1) and administrative support staff (2). Using the national survey's parameter of FTEs per professional staff, the new number becomes 397. Of the organizations with the number of employees between 1,000 and 4,999 responding to the survey, the mode of FTEs/HR FTEs was between 101 -125. The City is almost 4 times that mode which would indicate Manchester does not have sufficient professional HR staff for an organization its size.